

Instrument prepared by:

**VIRGINIA GAS AND OIL BOARD**

Order recorded under:

**CODE OF VIRGINIA**  
**§ 45.1-361.26**

**VIRGINIA:**

**BEFORE THE GAS AND OIL BOARD**

**APPLICANTS:**

Equitable Production Company (now EQT) on  
behalf of Shane Christopher Hancock, previously  
and Unknown / Unlocatable with acreage  
ownership in a portion of Tract 2.

**DOCKET NO.**

**97-1021-0613-01**

**RELIEF SOUGHT:**

Issuance: A Supplemental Order for Disbursement of Escrowed Funds  
Action: Amending Prior Orders Affecting Drilling **VAD-3738**,  
**a portion of Tract 2**  
(Referenced herein as "the Subject Drilling Unit")

Location: Wise County, Virginia

**Action Details:**

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit **VAD-3738** by Tract Subaccounts;
- (2) To provide each applicant, in simple terms, a complete month over month Royalty Accounting of unit production, costs, taxes and proceeds, depicting variables used in the calculation of royalty payments to the unit escrow account.
- (3) To disburse unit funds to the Applicants, in accordance with their Unit Ownership Interests relative to those funds deposited by the Unit Operator into Subject Drilling

**REPORT OF**

**THE BOARD**

**FINDINGS AND ORDER**

1. **Hearing Date and Place:** This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on January 17, 2006 at the Southwest Virginia Higher Education Center, Abingdon, VA.
2. **Appearances:** James E. Kaiser esq, Wilhoit and Kaiser appeared for the Unit Operator; and Sharon M.B. Pigeon, Senior Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract sub accounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract sub accounts. The Board finds that: (1) while it **does not** have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it **does not** have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, **the Board does have jurisdiction and authority to disburse funds from the Escrow Account** provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein.

4. **Prior Proceeding**

- 4.1. On October 21, 1997 the Board executed its order pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Buchanan County on December 2, 1997, Instrument 970004889 Page 000038 to 000060. The Board executed its Supplemental Order Regarding Elections that was filed with the Clerk of the Circuit Court of Buchanan County on April 30, 1998, Instrument 980002166 Page 000001 to 000030.
- 4.2. To the extent claims to the Gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony, there are at least sixty five Unknown / Unlocatable Heirs of the M.V. Jessee and Lucy H. Jessee Heirs in the Subject Drilling Unit.
- 4.3. The Unit Operator's Miscellaneous Petition regarding a portion of Tract 2 a copy of which is attached to and made a part hereof, states under oath that Shane Christopher Hancock, was originally listed as an Unknown and Unlocatable Heir of the Gary Ray Hancock Heirs and subsequent to the Supplemental Order of April 30, 1998, contacted and came forward to the operator..
- 4.4. The Unit Operator gave notice to Shane Christopher Handcock and the applicants that the Board would consider its disbursement authorization at its hearing on January 17, 2006 and consider whether to: (1) amend the Pooling Order to provide for the disbursement a portion of funds on deposit in the Escrow Account attributable to a portion of Tract 2 identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to a portion of said Tract 2 relative to the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) continue the escrow account under this docket number because there are other parties under this order subject to continued payments in the escrow.
- 4.5. The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. **Findings:**

5.1. **Va. Code 45.1-361.22.5 provides:**

*The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tracts in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.*

5.2 Applicant has certified and represented to the Board that:

- (1) Shane Christopher Hancock is an owner of the gas acreage estate underlying a portion of VGOB Tract 2 of the Subject Drilling Unit; and dual completion well VAD-3738.

(2) Net interests attributable and to be disbursed to Applicants are shown in Table 1,

*VGOB Approved Disbursement*

VGOB-97-1021-0613-01

VAD-3738 (Conventional Well Segment of Dual Completion Unit)

			Frac Interest	Acreage Interest Disbursed	Split Agreement	Escrowed Acres Total	% of Escrowed Funds
<b>Table 1</b>							
<b>A portion of Tract 2</b>							
No	Tract	Disbursement Table					
		Totals				32.9411	
Previously Unknown / Unlocatable							
		Total Acres for Tract 2		38.3400			
1	2	Shane Christopher Hancock / 417 Barking Drive / Smyrna, TN 37167-4879	1/600	0.0639	100.0%	0.0639	0.1940%

**6. Relief Granted:**

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting and Table 1 above, the Escrow Agent is ordered to, within 10 days of receipt of this executed order to disburse funds for the unit and applicants detailed in Table 1 above.

Exhibit E to the Pooling Order, showing owners subject to escrow, is deleted and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of those applicants indicated in Table 1 be deposited by the Unit Operator into the Escrow Account, and, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

**7. Conclusion:**

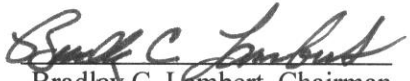
Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and **IT IS SO ORDERED.**

8. **Appeals:**

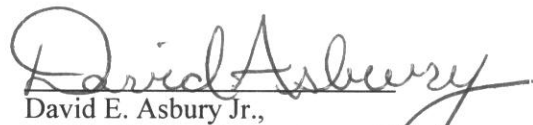
Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

9. **Effective Date:** This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 31 day of August, 2009 by a majority of the Virginia Gas and Oil Board.

  
Bradley C. Lambert, Chairman

DONE AND PERFORMED this \_\_\_\_\_ day of \_\_\_\_\_, 2009 by an Order of this Board.

  
David E. Asbury Jr.,  
Principal Executive to the Staff  
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this \_\_\_\_\_ day of \_\_\_\_\_, 2009, personally before me a notary public in and for the Commonwealth of Virginia, appeared **Bradley C. Lambert**, being duly sworn did depose and say that he is the Chairman of the Virginia Gas and Oil Board and **David E. Asbury Jr.**, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

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Diane J. Davis  
Notary Public #174394

My commission expires: 09 / 30 / 2009